

Program Biennium Comparison

The following table compares the 2023 biennium appropriated budget to the 2025 biennium budget request by type of expenditure and source of funding.

Program Biennium Comparison				
Budget Item	Appropriated Budget 22-23	Requested Budget 24-25	Biennium Change	Biennium % Change
Personal Services	36,916,595	41,327,436	4,410,841	11.95 %
Operating Expenses	76,546,571	94,788,471	18,241,900	23.83 %
Equipment & Intangible Assets	1,200,861	741,722	(459,139)	(38.23)%
Debt Service	3,937,000	2,340,000	(1,597,000)	(40.56)%
Total Expenditures	\$118,601,027	\$139,197,629	\$20,596,602	17.37 %
Proprietary Funds	118,601,027	139,197,629	20,596,602	17.37 %
Total Funds	\$118,601,027	\$139,197,629	\$20,596,602	17.37 %
Total Ongoing	\$118,601,027	\$139,197,629	\$20,596,602	17.37 %
Total OTO	\$0	\$0	\$0	0.00 %

Program Description

The State Information Technology Services Division (SITSD) is a proprietary program that provides central computing, data network, and telecommunications services to more than 100 government customers throughout the state. SITSD manages two data centers, a statewide data network, and provides information technology (IT) services to all branches of state government, the Office of Public Instruction, and various city and county municipalities.

Program Highlights

State Information Technology Services Division Major Budget Highlights
<ul style="list-style-type: none"> • The State Information Technology Services Division is funded with non-budgeted proprietary funding and is not appropriated in HB 2 • The State Information Technology Services Division’s 2025 biennium proposed appropriations are approximately \$20.3 million or 17.1% higher than the 2023 biennium. Significant changes include: <ul style="list-style-type: none"> ◦ An increase in rates of \$2.7 million each fiscal year for new proposed rates for information technology security consolidation, snowflake pass thru, and Esper pass thru ◦ A proposed increase in rates of \$4.9 million in FY 2024 and \$5.3 million in FY 2025 for rated services ◦ A proposed increase in the ServiceNow enterprise agreement of \$1.2 million each fiscal year and the cybersecurity enterprise rate of \$2.1 million each fiscal year

Program Actuals and Budget Comparison

The following table compares FY 2022 actual expenditures, FY 2022 and FY 2023 appropriations, and the expenditures requested for FY 2024 and FY 2025 by type of expenditure and source of funding.

Program Actuals and Budget Comparison					
Budget Item	Actuals Fiscal 2022	Approp. Fiscal 2022	Approp. Fiscal 2023	Request Fiscal 2024	Request Fiscal 2025
FTE	0.00	199.00	199.00	213.00	213.00
Personal Services	18,268,686	18,200,000	18,716,595	20,607,646	20,719,790
Operating Expenses	36,709,187	41,036,958	35,509,613	47,446,024	47,342,447
Equipment & Intangible Assets	1,303,910	830,000	370,861	370,861	370,861
Debt Service	2,573,651	2,767,000	1,170,000	1,170,000	1,170,000
Total Expenditures	\$58,855,434	\$62,833,958	\$55,767,069	\$69,594,531	\$69,603,098
Proprietary Funds	58,855,434	62,833,958	55,767,069	69,594,531	69,603,098
Total Funds	\$58,855,434	\$62,833,958	\$55,767,069	\$69,594,531	\$69,603,098
Total Ongoing	\$58,855,434	\$62,833,958	\$55,767,069	\$69,594,531	\$69,603,098
Total OTO	\$0	\$0	\$0	\$0	\$0

Program Discussion -

FY 2022 Appropriation Compared to FY 2022 Actual Expenditures

The State Information Technology Services Division is funded entirely with nonbudgeted proprietary funds. The budget of approximately \$62.8 million was 93.7% expended as of the end of FY 2022. There are two nonbudgeted proprietary funds in this program: the SITSD proprietary fund and the electronic government services proprietary fund.

The SITSD proprietary fund made up the majority of the State Information Technology Services Division’s budget in FY 2022. Appropriations of \$59.7 million were 95.5% expended at the end of the fiscal year. At the end of the fiscal year, the budget for this fund was increased by \$5.2 million. Although the budget was increased, approximately \$2.7 million remained in the FY 2022 budget. Anticipated expenditures for equipment and specific contracts will not occur until FY 2023.

The electronic government services proprietary fund had appropriations of \$3.1 million, which were 58.2% expended at the end of FY 2022. Lower expenditures were due to a decrease in revenue. The budget was based on the revenues and expenses made by the contractor that previously provided this service. There were various transaction fees charged to the customers by the contractor. When this service was transferred to SITSD it was determined that all transactions would be charged a \$1.00 fee, which reduced revenues.

FY 2022 Appropriations Compared to FY 2023 Appropriations

Overall, the FY 2023 appropriation is approximately \$7.1 million or 11.2% lower than the FY 2022 appropriation. There are several primary reasons for the difference:

- The electronic government services proprietary fund was a newly established proprietary fund in the 2023 biennium because the contract with a vendor expired. The appropriations for the fund were \$2.0 million lower in FY 2023, as proposed by the Department of Administration
- The State Information Technology Services Division increased the FY 2022 budget by \$5.2 million for anticipated equipment needs and contract costs
- The budget for the State Information Technology Services Division increased by approximately \$686,000 in FY 2022 and \$1.4 million in FY 2023 because of a memorandum of understanding between SITSD and the Department of Labor and Industry that is in effect from January 15, 2022 through June 30, 2023. The Department of Labor and Industry transferred certain functions and 15.00 FTE to SITSD and SITSD will provide the Department of Labor and Industry with the information technology work associated with the transferred positions. This transfer centralizes information technology services in the areas of the service desk, desktop services, enterprise digital services, and security as well as expands the resources that are available to the Department of Labor and Industry

Executive Request

The executive is proposing an increase in rates of approximately \$11.6 million in FY 2024 and \$12.0 million in FY 2025. The proposed increase in rates is primarily due to rated services, cybersecurity, ServiceNow, and additional services. These proposals will be discussed in further detail in the Proprietary Rates section of the budget analysis.

Funding

The following table shows proposed agency funding for all sources of authority.

Department of Administration, 07-State It Services Division Funding by Source of Authority							
Funds	HB2 Ongoing	HB2 OTO	Non-Budgeted Proprietary	Statutory Appropriation	Total All Sources	% Total All Funds	
General Fund	0	0	0	0	0	0	0.00 %
State Special Total	\$0	\$0	\$0	\$0	\$0	\$0	0.00 %
Federal Special Total	\$0	\$0	\$0	\$0	\$0	\$0	0.00 %
06522 ISD Proprietary	0	0	135,548,207	0	135,548,207		97.38 %
06004 Electronic Government Services	0	0	3,649,422	0	3,649,422		2.62 %
Proprietary Total	\$0	\$0	\$139,197,629	\$0	\$139,197,629		100.00 %
Total All Funds	\$0	\$0	\$139,197,629	\$0	\$139,197,629		

The functions within the State Information Technology Services Division are funded with nonbudgeted proprietary funds. The executive has an internal services fund that receives revenues from information technology costs charged to state agencies. Additionally, SITSD has an enterprise fund for eGovernment services. These proprietary funds are discussed in more detail in the Proprietary Rates section of the narrative.

Program Budget Summary by Category

The following table summarizes the total budget by base, present law adjustments, and new proposals. For a description of these categories, please see the glossary.

Budget Item	-----General Fund-----				-----Total Funds-----			
	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget	Budget Fiscal 2024	Budget Fiscal 2025	Biennium Fiscal 24-25	Percent of Budget
2023 Base Budget	0	0	0	0.00 %	55,767,069	55,767,069	111,534,138	80.13 %
SWPL Adjustments	0	0	0	0.00 %	4,193,118	4,988,772	9,181,890	6.60 %
PL Adjustments	0	0	0	0.00 %	8,066,622	7,346,329	15,412,951	11.07 %
New Proposals	0	0	0	0.00 %	1,567,722	1,500,928	3,068,650	2.20 %
Total Budget	\$0	\$0	\$0		\$69,594,531	\$69,603,098	\$139,197,629	

Present Law Adjustments

The "Present Law" Adjustments table shows the changes from the base appropriation to the proposed budget. "Statewide Present Law" adjustments (DP 1, DP 2, DP 3) are standard categories of adjustments made to all agencies. Decisions on these items were applied globally to all agencies.

Present Law Adjustments										
	-----Fiscal 2024-----					-----Fiscal 2025-----				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 1 - Personal Services	0.00	0	0	0	571,504	0.00	0	0	0	683,242
DP 2 - Fixed Costs	0.00	0	0	0	4,410	0.00	0	0	0	(71,301)
DP 3 - Inflation Deflation	0.00	0	0	0	3,617,204	0.00	0	0	0	4,376,831
DP 4 - Allocate Department Indirect/Administrative Costs	0.00	0	0	0	156,056	0.00	0	0	0	156,056
DP 701 - Increase for ITSD Operations	0.00	0	0	0	7,300,000	0.00	0	0	0	6,600,000
DP 703 - Increase eGov Operating Expenses	0.00	0	0	0	610,566	0.00	0	0	0	590,273
Grand Total All Present Law Adjustments	0.00	\$0	\$0	\$0	\$12,259,740	0.00	\$0	\$0	\$0	\$12,335,101

***Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 1 - Personal Services -

The executive requests adjustments to the present law personal services budget. This request has been broken into the following categories, and further detail is shown in the agency summary:

- Legislatively approved changes
- Management decisions
- Budget modifications made to the personal services budget in the 2023 biennium

DP 2 - Fixed Costs -

The executive requests adjustments to provide the funding required in the proposed budget for fixed costs assessed by other agencies within state government for the services they provide. Examples include warrant writer, motor pool, information technology services, etc. The rates charged for these services are approved in the section of the budget that provides the services.

DP 3 - Inflation Deflation -

The executive requests adjustments to reflect budgetary changes generated from the application of inflation and deflation factors to specific expenditure accounts. Affected accounts include other services, supplies and materials, communications, in-state state motor pool and motor pool leased vehicles, and repair and maintenance.

DP 4 - Allocate Department Indirect/Administrative Costs -

The executive proposes an increase in proprietary funds to pay the Department of Administration's indirect costs. These costs are charged to the department's programs for services provided by department employees, including accounting, human resources, and legal support.

DP 701 - Increase for ITSD Operations -

The executive proposes an increase in proprietary funds to align with the established rates and budgetary needs for the SITSD proprietary fund. This includes proposed increases to the state's cybersecurity enterprise services, network security, and Microsoft and ServiceNow enterprise agreements.

DP 703 - Increase eGov Operating Expenses -

The executive proposes an increase in proprietary funds for anticipated increases in the state's electronic government services program.

New Proposals

The "New Proposals" table shows new proposals for spending.

New Proposals	Fiscal 2024					Fiscal 2025				
	FTE	General Fund	State Special	Federal Special	Total Funds	FTE	General Fund	State Special	Federal Special	Total Funds
DP 99 - New Fixed Costs	0.00	0	0	0	10,975	0.00	0	0	0	10,975
DP 702 - Centralize IT Security	14.00	0	0	0	1,556,747	14.00	0	0	0	1,489,953
Total	14.00	\$0	\$0	\$0	\$1,567,722	14.00	\$0	\$0	\$0	\$1,500,928

**"Total Funds" amount includes funding from sources other than General Fund, State Special, or Federal Special (i.e. Proprietary).

DP 99 - New Fixed Costs -

The executive requests appropriations for the agency to provide funding for a new fixed cost for the Chief Data Office. Additionally, the executive requests appropriations of approximately \$7,000 for the agency to provide funding for a new fixed cost for the State Management Training Center. This appropriation is offset by a reduction to the existing training budget in the agency. The rates charged for this service are approved in the section of the budget that provides the services.

DP 702 - Centralize IT Security -

The executive proposes an increase in proprietary funds for the centralization of IT security. Part of the current statewide strategic IT plan is to ensure that citizens' data is protected along with the state's information assets. This includes the goal of consolidating state security operations under the state chief information security officer (CISO). The primary objective on centralizing cybersecurity is to enhance the state government's overall cybersecurity posture by unifying the state's cybersecurity resources under a single strategy and governance structure.

LFD ISSUE	In the November 15th budget submission, the proposed revenues for IT security consolidation totaled \$1.6 million in FY 2024 and \$1.5 million in FY 2025, while proposed expenditures totaled \$1.4 million in FY 2024 and \$1.3 million in FY 2025. The difference is primarily related to training costs of \$170,000 per fiscal year for 17.00 FTE (the proposed additional 14.00 FTE and an existing 3.00 FTE). The executive will revise the new proposal in its December 15th budget submission.
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Other Issues -

Proprietary Rates

The State Information Technology Services Division provides the following functions with proprietary funds:

- State Information Technology Services
- eGovernment Services

SITSD Proprietary Fund - 06522

Proprietary Program Description

SITSD is a proprietary program that provides central computing, data network, and telecommunications services to more than 100 government customers throughout the state. SITSD manages two data centers, a statewide data network, and provides information technology (IT) services to all branches of state government, the Office of Public Instruction, and various city and county governments.

Under the direction of the state chief information officer, the division supports and manages the following IT programs and services:

- Information Systems Security
 - Manages solutions and services to ensure continuity of enterprise operations and security of data through risk assessment and mitigation, planning and monitoring, detailed recovery planning, incident response, and periodic testing
 - Coordinates security policies and procedures
- Network Technology Services
 - Manages the statewide network which connects 22,000 devices at over 600 locations and provides prioritized voice, video, data, and wireless services
 - Develops and implements network solutions that support customer needs for bandwidth and connectivity
- Enterprise Technology Services
 - Designs, implements, and manages shared IT hardware and software infrastructure in a highly efficient virtualized environment
 - Provides platforms for application and database hosting services using enterprise-class computing and storage capacity
- Enterprise Support Services
 - Manages the service desk to assist customers regarding hardware and software applications, including email and telecommunications
 - Manages desktop lifecycle for customers, including software and hardware ordering, deployment, updates, remote control, and disposal
- Montana Data Centers
 - Manages state data center facilities in Helena (primary) and Miles City (disaster recovery)
 - Maintains the reliability, efficiency, security, and availability of computer processing and storage for all customers
- Application Technology Services
 - Supports the state's mt.gov websites
 - Assists customers with designing and deploying customized applications and online services, including eGovernment applications
- Strategic Planning Services
 - Ensures IT operations are conducted in an organized, deliberative, and cost-effective manner through planning, periodic performance reports, and oversight of agency IT procurements and plans
 - Publishes the state IT strategic plan and biennial report
- Financial Management Services
 - Manages budget, billing, acquisition, and contract management services for SITSD
 - Sets rates and manages the revenues and expenses for more than 200 enterprise services provided to state and local government IT customers
- Contract, procurement, and vendor management services
- State IT Project Management Services
 - Provides expertise, assistance, tools, methodologies, and training to customers to ensure IT projects are conducted in an organized, deliberative, and cost-effective manner

Proprietary Program Narrative

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds				
Fund	Fund Name	Agency Name	Program Name	
06522	SITSD	Department of Proprietary Administration	State Information Technology Services	
	Actual	Estimated	Proposed	Proposed
	FY 22	FY 23	FY 24	FY 25
Operating Revenues				
Fees and Charges				
Charges for Services - Agency Security Consolidation	58,314,078	42,214,963	52,020,873	52,480,468
ServiceNow - Agency Offset		2,405,133	-	-
Cybersecurity		8,155,640	10,300,097	10,300,097
Other Operating Revenues				
Revenue - External Users	632,291	619,470	619,470	619,470
Revenue - eGOV Receipts			2,463,176	2,463,289
Revenue - Projected Growth			728,450	726,583
Total Operating Revenues	58,946,369	53,395,206	67,726,071	68,117,939
Expenses				
Personal Services	18,120,570	20,775,890	20,607,646	20,719,790
Operating Expense	37,840,103	34,356,579	45,621,313	45,517,736
Equipment	-	370,861	370,861	370,861
Total Operating Expense	55,960,673	55,503,330	66,599,820	66,608,387
Operating Income (Loss)	2,985,696	(2,108,124)	1,296,251	1,679,552
Nonoperating Revenues				
Other Revenue	77,887			
Total Nonoperating Revenues (Expenses)	77,887	-	-	-
Income (Loss) Before Contributions and Transfers	3,063,583	(2,108,124)	1,126,251	1,509,552
Capital Contributions				
Transfers In		1,020,000	1,020,000	1,020,000
Transfers Out				
Loans and Lease Payments	(132,154)	(1,170,000)	(1,170,000)	(1,170,000)
Change in Net Position	2,931,429	(2,258,124)	976,251	1,359,552
Beginning Net Position - July 1	724,199	3,654,302	1,396,178	2,372,429
Prior Period Adjustments	(1,326)			
Change in Net Position	2,931,429	(2,258,124)	976,251	1,359,552
Ending Net Position - June 30	3,654,302	1,396,178	2,372,429	3,731,981

Budget authority to pay the SITSD allocation is a fixed cost item in each agency's budget. The statewide fixed costs for information technology included in the executive proposal are \$11.6 million higher in FY 2024 and \$12.0 million higher in FY 2025 when compared to the FY 2023 base year. The table below shows the overall amount proposed, by agency, for FY 2024 and FY 2025 and the change when compared the FY 2023 base appropriation.

Department of Administration State Information Technology Services Division State Agency Fixed Costs for Information Technology					
	Budgeted	Requested	Change	Requested	Change
	FY 2023	FY 2024	Between FY 2023 and FY 2024	FY 2025	Between FY 2023 and FY 2025
Legislative Branch	\$ 1,109,988	\$ 1,095,738	\$ (14,251)	\$ 1,596,524	\$ 486,535
Consumer Counsel	32,649	20,571	(12,078)	20,764	(11,885)
Judiciary	2,958,088	3,162,514	204,426	3,240,425	282,337
Governor's Office	298,052	559,765	261,713	558,534	260,482
Secretary of State's Office	510,410	1,003,093	492,683	1,005,066	494,656
Commissioner of Political Practice	92,170	119,435	27,265	119,825	27,655
State Auditor's Office	187,107	343,855	156,748	345,273	158,166
Office of Public Instruction	801,995	950,497	148,502	952,778	150,783
Department of Justice	3,673,070	4,264,695	591,625	4,260,479	587,409
Public Service Regulation	138,935	214,696	75,761	212,144	73,209
Board of Public Education	16,392	44,480	28,088	44,480	28,088
Commissioner of Higher Education	2,017	2,695	678	2,455	438
University of Montana	563	942	379	942	379
Montana State University	14,512	154	(14,359)	154	(14,359)
School for the Deaf & Blind	103,728	158,547	54,819	158,547	54,819
Montana Arts Council	28,438	72,301	43,863	71,123	42,685
Library Commission	591,551	658,963	67,412	658,905	67,354
Historical Society	301,851	533,373	231,522	557,531	255,680
Department of Fish, Wildlife & Parks	2,356,772	2,970,153	613,381	2,956,411	599,639
Department of Environmental Quality	1,624,400	1,895,177	270,777	1,894,343	269,944
Department of Transportation	6,129,748	7,125,740	995,992	7,125,883	996,135
Department of Livestock	320,335	620,974	300,639	618,469	298,134
Natural Resource & Conservation	2,664,996	3,145,608	480,612	3,140,335	475,339
Department of Revenue	2,631,882	3,123,493	491,611	3,145,467	513,585
Department of Administration	2,722,334	3,332,006	609,672	3,174,505	452,171
Montana State Fund	1,005,583	1,196,221	190,639	1,203,541	197,958
MT Public Employee Retirement	323,926	365,209	41,282	365,329	41,402
Teachers Retirement Board	156,706	171,628	14,922	171,260	14,555
Public Defender	942,250	1,105,514	163,264	1,101,274	159,024
Department of Agriculture	425,639	612,638	186,999	610,318	184,680
Department of Corrections	3,945,525	4,177,279	231,754	4,187,630	242,104
Department of Commerce	697,513	1,058,268	360,755	1,054,320	356,807
Department Labor & Industry	3,457,368	5,140,481	1,683,113	5,154,877	1,697,509
Department of Military Affairs	181,933	335,944	154,011	335,065	153,132
Public Health & Human Services	<u>11,847,312</u>	<u>14,332,329</u>	<u>2,485,017</u>	<u>14,263,624</u>	<u>2,416,312</u>
Total	<u>\$52,295,736</u>	<u>\$63,914,975</u>	<u>\$11,619,239</u>	<u>\$64,308,597</u>	<u>\$ 12,012,861</u>

The State Information Technology Services Division has revised the rate structure for the 2025 biennium. In the 2021 biennium, there were five established rates, which include:

- Enterprise service allocation
- Microsoft enterprise agreement
- Cybersecurity enterprise rate
- ServiceNow enterprise agreement
- Rated Services

In the 2025 biennium, there are nine proposed rates, which include

- Enterprise service allocation (ESA)
- Microsoft enterprise agreement
- Cybersecurity enterprise rate
- ServiceNow enterprise agreement
- Rated Services
- IT security consolidation
- Snowflake pass thru
- Esper pass thru
- General pass thru

The table below shows the FY 2023 base year information technology rates to the requested FY 2024 and FY 2025 rates. The executive is requesting an increase of revenues of \$23.6 million or 22.6% when comparing the FY 2023 base year to the 2025 biennium.

Department of Administration					
State Information Technology Services Division					
State Agency Fixed Costs for Information Technology by Service					
	FY 2023	FY 2024	FY 2025	FY 2023 to 2025 Biennium Change	
				Amount	Percent
Enterprise Services Allocation	\$ 5,772,668	\$ 5,964,003	\$ 5,964,003	\$ 382,669	3.3%
Microsoft Enterprise Agreement	4,117,785	4,813,632	4,813,944	1,392,006	16.9%
Cybersecurity Enterprise Rate	8,155,640	10,300,097	10,300,097	4,288,914	26.3%
ServiceNow Enterprise Agreement	2,405,133	3,573,587	3,573,587	2,336,907	48.6%
Rated Services	27,573,986	32,459,934	32,916,519	10,228,481	18.5%
IT Security Consolidation		1,594,005	1,528,032	3,122,037	100.0%
Snowflake Pass Thru		610,500	610,500	1,221,000	100.0%
Esper Pass Thru		530,500	530,500	1,061,000	100.0%
General Pass Thru	4,270,524	4,068,717	4,071,415	(400,916)	-4.7%
Grand Total	\$ 52,295,736	\$ 63,914,975	\$ 64,308,597	\$ 23,632,100	22.6%

The following sections will provide additional information on each of these rates.

Enterprise Service Allocation

Enterprise services are information technology services and staff time provided by SITSD that are used by and benefit the entire enterprise (all state agencies). State agencies are charged for their portion of the enterprise services allocation (ESA) based on the active directory within an agency. The enterprise allocation totaled \$5.8 million in the FY 2023 base year. The executive is proposing that the ESA rate will be \$6.0 million in each fiscal year of the biennium, which is a 3.3% increase in the rate.

Microsoft Enterprise Agreement

The Microsoft enterprise agreement is the cost of the licensing agreement for Microsoft services. The Microsoft enterprise agreement totaled \$4.1 million in the FY 2023 base year. The executive is proposing that the rate will be \$4.8 million in each fiscal year of the 2025 biennium, which is a 16.9% increase in the rate. The State Information Technology Services Division realizes that this rate is substantially higher than the previous contract and is having discussions to determine what they can do about this cost.

LFD COMMENT	The legislature may wish to discuss whether or not any determinations have been made about the cost of the Microsoft Enterprise Agreement with the State Information Technology Services Division.
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Cybersecurity Enterprise Rate

The cybersecurity enterprise rate provides revenue to pay for cybersecurity services and staff time provided by SITSD that are used by and benefit the entire enterprise. The cybersecurity enterprise rate totaled \$8.2 million in the FY 2023 base year. The executive is proposing that the rate will be \$10.3 million in each fiscal year of the 2025 biennium, which is a 26.3% increase. The table below shows the FY 2023 base year cybersecurity enterprise rate, the requested FY 2024 and FY 2025 rate, and the change between the FY 2023 rate and the 2025 biennium.

Department of Administration State Information Technology Services Division Cybersecurity Enterprise Rate					
Service	FY 2023	FY 2024	FY 2025	FY 2023 to 2025 Biennium Change	
				Amount	Percent
File and Object Storage	\$ 18,778	\$ 28,529	\$ 28,529	\$ 19,501	51.9%
Live Storage	95,189	8,705	8,705	(172,968)	-90.9%
Virtual Server	301,446	76,749	76,749	(449,395)	-74.5%
Directory Services - Identity Management	168,587	651,265	651,265	965,356	286.3%
eGov Identity Management	57,378	391,497	391,497	668,238	582.3%
Software Configuration Management	95,314	77,052	77,052	(36,524)	-19.2%
Splunk Service	818,482	310,208	310,208	(1,016,548)	-62.1%
Application Development	24,000			(48,000)	-100.0%
Cybersecurity Enterprise Services - ESP	702,415	1,346,852	1,346,852	1,288,874	91.7%
Cybersecurity Enterprise Services - IRTS	1,292,132	2,158,495	2,158,495	1,732,725	67.0%
Expert Time					
AHS	336,000	228,000	228,000	(216,000)	-32.1%
Enterprise Security Risk Mgmt	518,625	620,857	620,857	204,464	19.7%
ESS	-	235,232	235,232	470,463	100.0%
Forensic Investigations/Technical Security	618,638	619,158	619,158	1,041	0.1%
NOSC	939,136	1,328,409	1,328,409	778,546	41.5%
Supervision CISO	444,053	344,357	344,357	(199,391)	-22.5%
MFA Service	934,424	375,694	375,694	(1,117,460)	-59.8%
Network Security	<u>791,042</u>	<u>1,499,038</u>	<u>1,499,038</u>	<u>1,415,993</u>	<u>89.5%</u>
Totals	<u>\$ 8,155,640</u>	<u>\$ 10,300,097</u>	<u>\$ 10,300,097</u>	<u>\$ 4,288,914</u>	<u>26.3%</u>

There are several services that are contributing to the increase in rates, which include:

- Directory services – identity management – this service provides a single identity for citizens to securely access government services. According to SITSD, this service was previously funded with the eGovernment services proprietary fund
- eGovernment identity management – the Cloud Access Security Broker (CASB) creates a security policy enforcement point between state employees and the cloud service providers. This was included in HB 10 (2021 Legislative Session) for the 2023 biennium
- Cybersecurity enterprise services – Enterprise Security Program (ESP) – this includes a new purchase of business continuity and disaster recovery modules and an additional 3.00 FTE from the State Continuity and Emergency Management Office
- Cybersecurity enterprise services – Incident Response and Technical Security Bureau (IRTS) – this includes a security automation and response platform (PALO XSOAR) and an additional 2.00 FTE
- Expert time – Network Operations and Support Center (NOSC) – the hourly rate for staff increased from \$106 per hour in the 2023 biennium to \$143 per hour in the 2025 biennium
- Network security – according to SITSD, the external firewalls are at end of life and require hardware replacement

ServiceNow Enterprise Agreement

ServiceNow is intended to improve workflow for agencies. Some of the functions of ServiceNow include:

- Integrating with applications like Microsoft Teams, Zoom, and DocuSign for improved automation
- Decreasing call volumes and quickly answering customer questions by using virtual agents
- Digitizing forms to reduce in person requests and eliminate manual effort

The Governor’s Office has launched a digital initiative, which includes an enterprise-wide digital redesign and digitization in an effort to streamline operations. ServiceNow is the primary platform that is assisting state agencies with this initiative.

The table below shows the FY 2023 base year ServiceNow enterprise rate, the requested FY 2024 and FY 2025 rate and the change in the rate.

Department of Administration State Information Technology Services Division ServiceNow Enterprise Rate					
	FY 2023	FY 2024	FY 2025	FY 2023 to 2025 Biennium Change	
				Amount	Percent
Legislative Branch	26,237			\$ (52,474)	-100.0%
Consumer Counsel	1,109			\$ (2,217)	-100.0%
Judiciary	81,035	121,675	121,675	\$ 81,279	50.2%
Governor's Office	11,271	16,923	16,923	\$ 11,305	50.2%
Secretary of State's Office	10,070	15,120	15,120	\$ 10,100	50.2%
Commissioner of Political Practice	1,663	2,497	2,497	\$ 1,668	50.2%
State Auditor's Office	15,358	23,060	23,060	\$ 15,404	50.2%
Office of Public Instruction	33,997	51,047	51,047	\$ 34,099	50.2%
Department of Justice	144,933	217,618	217,618	\$ 145,369	50.2%
Public Service Regulation	4,250	9,710	9,710	\$ 10,921	128.5%
Board of Public Education	554	832	832	\$ 556	50.2%
School for the Deaf & Blind	15,698	23,570	23,570	\$ 15,745	50.2%
Montana Arts Council	1,293	1,942	1,942	\$ 1,297	50.2%
Library Commission	3,930	5,901	5,901	\$ 3,942	50.2%
Historical Society	10,971	16,474	16,474	\$ 11,004	50.2%
Department of Fish, Wildlife & Parks	129,337	194,200	194,200	\$ 129,726	50.2%
Department of Environmental Quality	77,794	116,808	116,808	\$ 78,028	50.2%
Department of Transportation	391,941	588,501	588,501	\$ 393,120	50.2%
Department of Livestock	25,058	37,625	37,625	\$ 25,133	50.2%
Natural Resource & Conservation	101,855	152,935	152,935	\$ 102,161	50.2%
Department of Revenue	122,870	184,490	184,490	\$ 123,240	50.2%
Department of Administration	60,788	91,274	91,274	\$ 60,971	50.2%
Montana State Fund	56,723	85,171	85,171	\$ 56,894	50.2%
MT Public Employee Retirement	9,054	13,594	13,594	\$ 9,081	50.2%
Teachers Retirement Board	3,880	5,826	5,826	\$ 3,892	50.2%
Public Defender	50,246	75,444	75,444	\$ 50,397	50.2%
Department of Agriculture	21,200	31,832	31,832	\$ 21,264	50.2%
Department of Corrections	253,397	380,477	380,477	\$ 254,159	50.2%
Department of Commerce	38,594	57,949	57,949	\$ 38,710	50.2%
Department Labor & Industry	142,406	213,822	213,822	\$ 142,834	50.2%
Department of Military Affairs	14,412	21,639	21,639	\$ 14,455	50.2%
Public Health & Human Services	543,210	815,631	815,631	\$ 544,844	50.2%
Total	2,405,133	3,573,587	3,573,587	\$ 2,336,907	48.6%

The ServiceNow enterprise rate totaled \$2.4 million in the FY 2023 base year. The executive is proposing that the rate will be approximately \$3.6 million in each fiscal year of the 2025 biennium, which is a 48.6% increase. According to SITSD, the primary reasons for the increase include:

- Implementing ServiceNow’s premium support package, which costs \$435,000 each fiscal year. The premium support provides a customer success manager, success architect, support account manager, and platform architect. Additionally, this provides subject matter expert support, developer support to review and troubleshoot code, on demand training courses, and a training credit that the state used to build a custom process training for all agency staff as they moved to customer service management
- Allocating three SITSD staff to ServiceNow. These staff will review, approve, and guide agencies with upgrades, changes, and development in ServiceNow. They will also maintain the overall health of the ServiceNow platform for the state. The time for these staff was previously allocated to the enterprise service allocation rate

Rated Services

The State Information Technology Services Division uses an activity-based budgeting model that allocates costs to individual services. This model employs a separate unit for each service and the unit is the increment in which the agency buys the service or product. There are 63 services included in the budget for rated services for the 2025 biennium. The number of units budgeted is based on the planned utilization of each agency.

The following table shows the FY 2023 base budget, requests for FY 2024 and FY 2025, and the change between the 2025 biennium and the base year by service.

Department of Administration State Information Technology Services Division Rated Services					
Service	FY 2023	FY 2024	FY 2025	FY 2023 to 2025 Biennium Change	
				Amount	Percent
Additional Line	209,365	339,243	339,243	259,756	62.0%
Address Certification Service	129,316			(258,632)	-100.0%
Advanced Contact Center	58,938	419,535	419,535	721,195	611.8%
Application Development	913,260	1,003,320	981,720	158,520	8.7%
Application Hosting					
Citrix	370,837	275,094	275,094	(191,486)	-25.8%
.NET Initial Setup	348			(697)	-100.0%
.NET Ongoing Support	57,231	60,699	58,860	5,098	4.5%
.NET Server Environment	66,677	119,031	120,414	106,091	79.6%
App Server Environment	76,050	88,004	88,004	23,908	15.7%
App Server Ongoing Support	198,102	409,999	409,999	423,794	107.0%
Backup Service	300,633	492,792	515,086	406,611	67.6%
Basic Contact Center	156,283	969,734	969,734	1,626,902	520.5%
Contact Center - Call Back Assist	46,511	-	-	(93,022)	-100.0%
Contact Center - Call Recording	95,023	-	-	(190,045)	-100.0%
Contact Center Pass Thru	174,306			(348,613)	-100.0%
Data Center Rack Space - MDC	65,339	74,205	74,205	17,730	13.6%
Data Center Rack Space - SMDC	24,939	23,437	23,039	(3,402)	-6.8%
Database Hosting - Oracle	304,436	417,077	417,077	225,282	37.0%
Database Hosting - SQL	444,887	328,078	326,416	(235,281)	-26.4%
Database Hosting - SQL Licensing	215,389	257,530	257,012	83,764	19.4%
DBA Professional Services	78,210	108,000	111,360	62,940	40.2%
Directory Services - Active Directory	53,790	68,539	68,539	29,498	27.4%
DocuSign	4,606			(9,212)	-100.0%
Dynamics 365 - On Premise	97,222	87,534	68,777	(38,134)	-19.6%
Dynamics 365 - Online	51,339	7,622	7,622	(87,435)	-85.2%
ECM Enterprise Licensing	83,613	58,168	52,302	(56,756)	-33.9%
ECM Ongoing Support	70,775	37,545	37,545	(66,462)	-47.0%
ECM Server Environment	40,742	36,456	36,555	(8,472)	-10.4%
Email - Public Folder	115,250	123,280	123,280	16,059	7.0%
Expert Time					
AHS	70,800	200,760	200,760	259,920	183.6%
Contract and Vendor Management	5,604			(11,208)	-100.0%
Data Center/Remote Hands	5,897	9,442	9,442	7,090	60.1%
Desktop Support	286,318	1,217,269	1,217,269	1,861,902	325.1%
EAS	22,496	24,050	24,050	3,109	6.9%
EIS	841	5,138	5,138	8,595	511.3%
Enterprise Security Risk Management		65,887	65,887	131,774	100.0%
ESS	2,871	14,973	14,973	24,204	421.5%

NET	17,795	-	-	(35,591)	-100.0%
NOSC	28,384	-	-	(56,768)	-100.0%
PMO	25,180	33,504	33,504	16,649	33.1%
Service Desk	3,652	225,877	225,877	444,450	6085.3%
ServiceNow	40,028	1,613,462	1,505,144	3,038,550	3795.5%
File & Print Shared Server	6,401	54,621	54,621	96,440	753.3%
File and Object Storage	214,894	228,197	234,809	33,217	7.7%
Financial Management Service	41,820			(83,639)	-100.0%
Firewall Administration - Advanced	18,170	55,470	55,470	74,599	205.3%
Floor Space	20,158			(40,316)	-100.0%
Helena Campus Network Access	3,020,952			(6,041,905)	-100.0%
InTune	3,204			(6,408)	-100.0%
Job Scheduling Distribution	373,936	457,608	457,608	167,345	22.4%
Live Storage	1,031,390	1,353,232	1,370,383	660,835	32.0%
Long Distance - Toll Free	1,206,835	1,448,523	1,448,522	483,377	20.0%
MFT Service	4,722	5,826	5,826	2,207	23.4%
Mobile Device Management	105,916	135,059	135,059	58,284	27.5%
Network Access		10,705,115	11,222,862	21,927,976	100.0%
Network Connection					
Alternate Data Center 10BG or Less	99,616	139,898	139,898	80,563	40.4%
Helena Data Center 10GB or Less	100,560	261,978	261,978	322,835	160.5%
O365 Back-Up Service	9,492	20,814	26,016	27,847	146.7%
O365 PSTN	8,544			(17,088)	-100.0%
O365 Rate	1,263,811	1,309,206	1,309,206	90,789	3.6%
Remote Network Access	8,453,550			(16,907,100)	-100.0%
SCCM as a Service	144,054	194,204	194,204	100,300	34.8%
Service Desk as a Service	204,704			(409,408)	-100.0%
ServiceNow - ITBM /user	23,088	10,923	10,923	(24,330)	-52.7%
ServiceNow App Engine		111,005	111,005	222,009	100.0%
Splunk Service	127,826	304,708	328,909	377,965	147.8%
TracerPlus	773			(1,546)	-100.0%
VDI as a Service	411,822	466,200	466,200	108,757	13.2%
Video Conference Pro License	123,306	326,820	332,554	412,761	167.4%
Video Conference Room License	253,051	303,047	303,047	99,992	19.8%
Virtual Server	1,702,173	2,030,354	2,029,231	655,239	19.2%
Virtual Server Platform Base	265,893	282,866	282,866	33,946	6.4%
Virtual Server Platform Host	514,567	644,971	658,134	273,971	26.6%
VoIP Phone Service	2,721,365	2,182,918	2,182,691	(1,077,119)	-19.8%
VPN Client	84,107	211,087	211,036	253,909	150.9%
Total	<u>27,573,986</u>	<u>32,459,934</u>	<u>32,916,519</u>	<u>10,228,481</u>	18.5%

The rated services totaled \$27.6 million in the FY 2023 base year. The executive is proposing that the rate will be \$32.5 million in FY 2024 and \$32.9 million in FY 2025, which is an increase of 18.5%. Significant changes in rates include:

- An increase of \$1.6 million in FY 2024 and \$1.5 million in FY 2025 for expert time related to ServiceNow. The addition of hours was due to an increase in staff time assisting agencies with moving towards the goals included in the Governor’s digital initiative to streamline operations
- An increase of approximately \$931,000 each fiscal year for expert time related to desktop support. In the 2023 biennium, the Department of Labor and Industry (DLI) and SITSD entered into a memorandum of understanding in which DLI transferred certain information technology functions to SITSD. Desktop support was one of these services and the primary reason for the increase in this function
- A net increase of \$858,000 each fiscal year for the contact center. The State Information Technology Services Division is transitioning from one contractor to another. According to SITSD, the new contractor is a cloud-based solution, which allows for a more reliable means of disaster recovery
- An increase of approximately \$212,000 each fiscal year for application hosting app server ongoing support. More staff time was allocated to this service because the complexity of applications was utilizing more staff time and effort to support
- An increase of approximately \$129,000 each fiscal year for expert time related to application hosting service. This increase is primarily attributable to hours requested by the Department of Health and Human Services (DPHHS). Existing systems have migrated off the mainframe, historically have required more hours than budgeted, or will be moved to SITSD, which increase the number hours requested
- The increase in network access is offset by the reductions in rates for Helena campus network access and remote network access. These two rates were consolidated into one rate

IT Security Consolidation

Information technology security consolidation is part of the current statewide strategic IT plan to ensure that citizens’ data is protected along with the state’s information assets. This includes the goal of consolidating state security operations under the state chief information security officer (CISO). The primary objective of centralizing cybersecurity is to enhance the state government’s overall cybersecurity posture by unifying the state’s cybersecurity resources under a single strategy and governance structure.

IT security consolidation is a new rate in the 2025 biennium. The executive proposes that the rate will be approximately \$1.6 million in FY 2024 and \$1.5 million in FY 2025.

LFD COMMENT	The executive is proposing an increase in personal services appropriations of approximately \$1.3 million each fiscal year for 14.00 FTE. There is no corresponding reduction in FTE in state agencies. The executive indicated that these changes will be addressed later in session with an enterprise solution. The legislature may wish to discuss the details of the enterprise solution with the executive.
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Snowflake Pass Thru

Snowflake is a platform that provides cloud-based data storage and analytical services. All state agencies can load data into Snowflake from existing information technology systems. The state is able to negotiate a statewide rate and have the platform available for all state agencies, but each agency has its own, discrete area within Snowflake that includes its own firewall rules, identity management, and user lists. However, since this information is in the same platform, agencies are able to easily share databases with other agencies, provided the agency has granted permission. Information is shared on a real-time feed and an agency can change permissions at any time.

The Snowflake pass thru is a new rate in the 2025 biennium. The executive proposes that the rate will be approximately \$611,000 each fiscal year. The table below shows rates requested for each fiscal year for the Snowflake pass thru.

Department of Administration State Information Technology Services Division Snowflake Pass Thru		
Agency	FY 2024	FY 2025
Consumer Counsel	\$ 2,500	\$ 2,500
Governor's Office	30,000	30,000
Secretary of State's Office	10,000	10,000
Commissioner of Political Practices	5,000	5,000
State Auditor's Office	20,000	20,000
Department of Justice	30,000	30,000
Public Service Regulation	5,000	5,000
Board of Public Education	1,000	1,000
Montana Arts Council	3,000	3,000
Library Commission	15,000	15,000
Historical Society	10,000	10,000
Department of Fish, Wildlife & Parks	30,000	30,000
Department of Environmental Quality	30,000	30,000
Department of Transportation	30,000	30,000
Department of Livestock	20,000	20,000
Department Natural Resource & Conservation	30,000	30,000
Department of Revenue	30,000	30,000
Department of Administration	30,000	30,000
Montana State Fund	30,000	30,000
MT Public Employee Retirement	2,000	2,000
Teachers Retirement Board	2,000	2,000
Public Defender	10,000	10,000
Department of Agriculture	15,000	15,000
Department of Corrections	30,000	30,000
Department of Commerce	50,000	50,000
Department Labor & Industry	50,000	50,000
Department of Military Affairs	20,000	20,000
Public Health & Human Services	70,000	70,000
Grand Total	\$ 610,500	\$ 610,500

Esper Pass Thru

Esper is software that the Governor's office will use to support the review and rulemaking needs of state agencies. This software assists in:

- Identifying outdated regulations
- Tracking rulemaking activity
- Automating workflows
- Comparing agency regulations
- Incorporating policy documents and rules into one system
- Creating a system of record
- Standardizing the rulemaking process

This software provides a dedicated technology solution for regulatory clean-up, a repository of relevant code, streamlined rulemaking and collaboration, comparative analysis, automated alerts on regulatory changes, and impact estimation tools.

The Esper pass thru is a new rate in the 2025 biennium. The executive proposes that the rate will be approximately \$531,000 each fiscal year. The table below shows the rate requested for each fiscal year for the Esper pass thru.

Department of Administration State Information Technology Services Division Esper Pass Thru		
Agency	FY 2024	FY 2025
Governor's Office	\$ 170,000	\$ 170,000
Department of Fish, Wildlife & Parks	23,500	23,500
Department of Environmental Quality	54,000	54,000
Department of Transportation	15,000	15,000
Department of Livestock	13,000	13,000
Department Natural Resource & Conservation	24,500	24,500
Department of Revenue	32,000	32,000
Department of Administration	17,500	17,500
Department of Agriculture	14,500	14,500
Department of Corrections	10,000	10,000
Department of Commerce	18,000	18,000
Department Labor & Industry	54,000	54,000
Department of Military Affairs	7,000	7,000
Public Health & Human Services	77,500	77,500
Total	\$ 530,500	\$ 530,500

General Pass Thru

The general pass thru rate is for additional services that state agencies have requested where the cost of the service is passed directly on to the agency. While this is a new rate in the 2025 biennium, many of these services existed in other rates during the 2023 biennium.

The general fund pass thru had rates that totaled \$4.3 million in the FY 2023 base year. The executive is proposing that the rate will be \$4.1 million in each fiscal year of the 2025 biennium, which is a 4.7% decrease. The table below shows the FY 2023 base year rate, the requested FY 2024 and FY 2025 rate, and the change between the FY 2023 rate and the 2025 biennium for each pass thru. Overall, costs associated with Oracle are primarily causing the decrease. This decrease is partially offset by an increase of \$494,000 each fiscal year for the Microsoft direct pass thru. Additional services associated with the Microsoft pass thru include, but are not limited to, Windows server datacenter, SQL server enterprise, Visio, and SharePoint online.

Department of Administration State Information Technology Services Division General Pass Thru					
Service	FY 2023	FY 2024	FY 2025	FY 2023 to 2025 Biennium Change	
				Amount	Percent
Adobe Direct Pass Thru	\$ 31,281	\$ 31,200	\$ 32,760	\$ 1,399	2.2%
Amplifund Pass-Thru	217,380	225,086	236,340	26,667	6.1%
ESRI Enterprise Agreement	850,000	998,834	998,834	297,669	17.5%
Hyland Pass-Thru	710,243	666,461	699,784	(54,241)	-3.8%
Microsoft Direct Pass Thru	7,174	501,211	501,211	988,074	6886.5%
Monarch Report Analysis Software	5,400	11,277	11,841	12,318	114.1%
Network Cabling Pass-Thru	388,275	304,047	304,047	(168,456)	-21.7%
Oracle Direct Pass Thru	1,960,795	142,340	149,457	(3,629,794)	-92.6%
Oracle License Agreement	-	902,648	947,780	1,850,428	100.0%
RSA Token	-	184,280	82,960	267,240	100.0%
SAS Pass Thru	\$ 99,976	\$ 101,334	\$ 106,400	\$ 7,783	3.9%
Total	\$ 4,270,524	\$ 4,068,717	\$ 4,071,415	\$ (400,916)	-4.7%

eGovernment Services – 06004

Proprietary Program Description

Digital government (eGovernment) services include permitting, registration, licensing, inspections, financial reconciliation, reporting, point of sale card swipe devices and mobile payments, monthly billing, and management and collection of customer accounts. The State Information Technology Services Division has established an enterprise fund for the management of these fees.

Proprietary Program Narrative

The following table shows the actual and projected expenditures and related revenues associated with this fund.

2025 Biennium Report on Internal Service and Enterprise Funds

Fund 06004	Fund Name eGovernment Services	Program Name State Information Technology Services Div.		
	Actual FY 22	Projected FY 23	Proposed FY 24	Proposed FY 25
Operating Revenues				
Fees and Charges				
Revenue	1,003,737	1,003,737	1,003,737	1,003,737
Total Operating Revenues	1,003,737	1,003,737	1,003,737	1,003,737
Expenses				
Other Operating Expense	434,049	1,824,711	1,824,711	1,824,711
Total Operating Expense	434,049	1,824,711	1,824,711	1,824,711
Operating Income (Loss)	569,688	(820,974)	(820,974)	(820,974)
Income (Loss) Before Contributions and Transfers	569,688	(820,974)	(820,974)	(820,974)
Change in Net Position	569,688	(820,974)	(820,974)	(820,974)
Beginning Net Position - July 1	(1,813,159)	(1,243,471)	(2,064,445)	(2,885,419)
Prior Period Adjustments				
Change in Net Position	569,688	(820,974)	(820,974)	(820,974)
Ending Net Position - June 30	(1,243,471)	(2,064,445)	(2,885,419)	(3,706,393)

Revenues are earned through a fee that is charged to each eGovernment transaction. Fees earned will be used to help offset the costs for the payment processing vendor, as well as for costs to administer the program and other expenses associated with the development of enterprise electronic government services.

In December 2020, the contract with the vendor providing eGovernment services expired. When this contract expired, the State Information Technology Services Division took over the responsibility for managing these services. During this time, SITSD took out a general fund loan of \$2.5 million.

Proprietary Rate

Transaction fees are a set rate per transaction or the cost of application development and maintenance.

The eGovernment services program is funded with an enterprise fund, which is a type of a proprietary fund. As such, the legislature does not appropriate the funds or approve the rates for the program. Instead, the legislature reviews the report for the enterprise fund and identifies concerns with the financial position of the fund.

**LFD
ISSUE**

The State Information Technology Services Division currently has not proposed rates for the 2025 biennium and a plan for obtaining sufficient revenues to cover expenses and to repay the general fund loan has not been established. SITSD stated that they are currently analyzing the fees charged for eGovernment transactions and expenditures to determine when the loan will be repaid. The legislature may wish to discuss the details of this plan with SITSD.